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2013 Demand and Price

SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

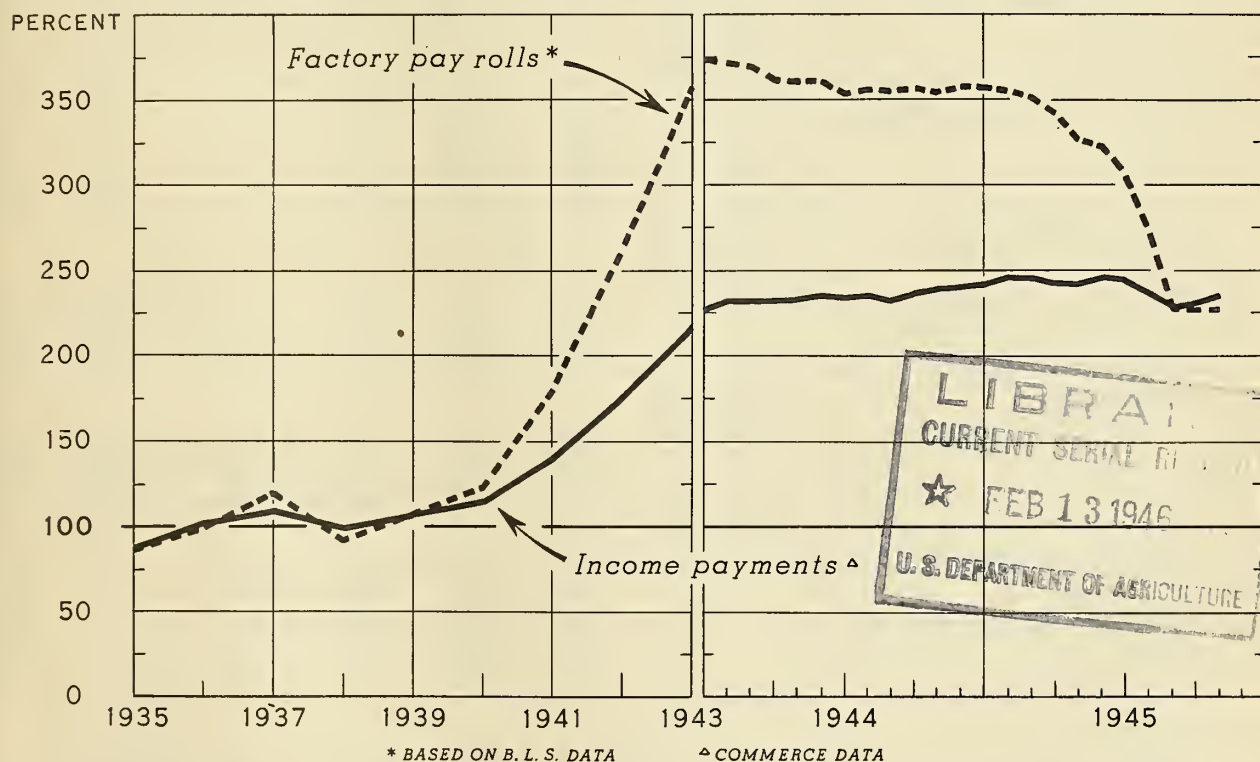
WASHINGTON, D. C.

BAE

JANUARY 1946

INCOME PAYMENTS TO INDIVIDUALS, AND FACTORY PAY ROLLS, UNITED STATES, 1935-43 (ANNUAL) AND 1944-45 (MONTHLY)

INDEX NUMBERS (1935-39=100) ADJUSTED FOR SEASONAL VARIATION



U. S. DEPARTMENT OF AGRICULTURE

NEG. 45767 BUREAU OF AGRICULTURAL ECONOMICS

Income payments to individuals and factory payrolls increased rapidly from 1939 to early 1943, with payrolls rising much more sharply than income payments. From a peak in November 1943, factory payrolls declined slowly until about VE-Day, while income payments slowly increased. Since then, factory payrolls have declined sharply, but income payments have dropped only slightly below the wartime peak. The drop in payrolls is due principally to contraction in the output of war goods, reductions in overtime, and shifts of some workers from higher to lower wage industries. Income payments, on the other hand, have been sustained in part by mustering out payments to veterans and for unemployment compensation. Entrepreneurial incomes and net rents and royalties also have increased. During the period 1935-39, factory payrolls represented a fifth of total income payments, while during the peak war year of 1944 they represented slightly more than a fourth.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1944		1945			
		Year	Nov.	Aug.	Sept.	Oct.	Nov.
Industrial Production <u>1/</u>	1935-39:						
Total	- 100 :	235	232	186	168	163	170
All manufactures	" :	252	248	194	174	170	176
Durable goods	" :	353	341	239	196	189	197
Nondurable goods	" :	171	173	157	156	154	159
Minerals	" :	140	143	140	134	124	137
Construction activity <u>1/</u>	1935-39:						
Contracts, total	- 100 :	71	80	106	120	145	167
Contracts, residential	" :	39	32	59	64	88	103
Wholesale prices <u>2/</u>	1935-39:						
All commodities	- 100 :	129	130	131	131	131	133
All commodities except farm and food	" :	121	122	123	123	123	123
Farm products	" :	162	164	167	164	168	173
Food	" :	133	133	135	133	134	136
Prices received and paid by	1910-14:						
Farmers <u>3/</u>	- 100 :						
Prices received, all prod.	" :	195	196	204	197	199	205
Prices paid, int. and taxes	" :	170	171	173	174	175	175
Parity ratio	" :	115	115	118	113	114	117
Consumers' price <u>5/</u> <u>6/</u>	1935-39:						
Total	- 100 :	126	127	129	129	129	129
Food	" :	136	136	141	139	139	140
Nonfood	" :	120	121	123	124	124	124
Income	1935-39:						
Nonagricultural payments <u>4/</u>	- 100 :	231	235	233	227	230	231
Cash farm <u>3/</u>	" :	248	267	274	256	261	282
Income of Industrial Workers <u>3/</u> ..	" :	329	321	260	223	217	221
Factory payrolls <u>5/</u>	" :	361	353	273	228	227	227
Weekly earnings of factory workers <u>5/</u>	Dollars :						
All manufacturing	" :	46.08	46.85	41.72	40.84	41.02	---
Durable goods	" :	52.07	53.04	45.72	43.90	44.38	---
Nondurable goods	" :	37.12	37.87	36.63	37.77	37.72	---
Employment							
Total civilian <u>7/</u>	Millions:	51.8	51.5	53.5	51.2	51.6	51.7
Employees in nonagri. est. <u>5/</u> ..	Thous. :	38,682	38,347	37,015	35,334	35,207	35,620
Farm <u>3/</u>	" :	10,037	10,690	10,612	10,907	11,052	10,747
Government finance (Federal) <u>8/</u> ..	Mil. dol.:						
Receipts, net	" :	3,702	2,240	2,997	5,189	2,530	2,374
Expenditures	" :	8,097	7,828	7,354	6,611	5,950	4,656

Sources: 1/ Federal reserve Board; converted to a 1935-39 base. 2/ U. S. Dept. of Labor, B. L. S. 3/ U. S. Dept. of Agriculture, B. A. E. To convert prices received and prices paid, interest and taxes to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce. 5/ U. S. Dept. of Labor, B. L. S. 6/ Consumers' price index for moderate-income families in large cities. 7/ U. S. Dept. of Commerce, Bureau of Census. 8/ U. S. Dept. of Treasury.

Data for 1944 are on average monthly basis.

 THE DEMAND AND PRICE SITUATION

Approved by Outlook and Situation Board - January 23, 1946

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DEMAND FOR FARM PRODUCTS

The demand for farm products seems likely to be maintained at about its present high level during most of 1946, although the pressure of export demand available on supplies may be lessened late in the year. As the reconversion of industry to a peacetime basis is proceeding rapidly and the accumulated purchasing power in the hands of consumers is large, a high level of nonagricultural employment and output is likely to be maintained in 1946. Unless current labor - management disputes are very prolonged, they probably will have little effect on demand for agricultural products. Thus, the domestic demand for farm products will be strong. Purchases of food for the armed services will be much smaller than last year, but foreign demand for food is likely to be maintained substantially above its prewar level during most of 1946. Even if 1946 crop yields are good in Europe and Asia and there is some decline in foreign demand late in 1946, exports of agricultural products will be maintained at high levels.

Nonagricultural income payments, after declining nearly 6 percent from July to September, increased slightly in October and again in November. The seasonally adjusted index of 231 for November (1935-39 = 100) was 2 percent above September and only 4 percent below the wartime peak reached in June 1945.

The increases in October and November were largely the result of increases in mustering-out payments to discharged servicemen and larger wage and salary disbursements by private industry. However, the seasonally adjusted index for salaries and wages for November was 2 percent below September because of a continued decline in Federal military and civilian salaries.

Industrial production, which dropped 22 percent from July to October, recovered slightly in November. The seasonally adjusted index of 170 for November was 5 percent above the October 1945 index and approximately the same as in October 1941. Apparently production in December was maintained at or slightly above the November level. The production of both durable and nondurable manufactured goods was larger in November than in October. The largest increases in production of manufactured products occurred in iron and steel, rubber, lumber, food manufacturing and textile industries. Production of fuels also increased substantially in November.

Estimated expenditures for construction (including repairs) in the United States during 1945 amounted to 5.9 billion dollars, 25 percent greater than in 1944 but still nearly 15 percent less than in 1939. The increase from 1944 was entirely in private construction and repairs. Expenditures for public construction amounted to slightly less than 2 billion dollars, 14 percent less than in 1944 and less than one-fifth the amount spent in 1942. The Bureau of Labor Statistics has estimated that private expenditures for new construction in 1946 will be about double the 1945 figure of 2.7 billion dollars.

Total expenditures of the Federal government for November were 4.7 billion dollars, 45 percent less than in July--the last month before the end of hostilities. However, the November 1945 expenditures were still more than 8 times as large as the 1935-39 November average. Net receipts since the end of hostilities have averaged about the same as in the corresponding months of 1944. The deficit for September, October and November 1945 of 7.1 billion dollars was but little more than half that for the corresponding months of 1944.

EMPLOYMENT AND PAYROLLS

The number of people employed in nonagricultural establishments in November was 35.6 million, about 400,000 more than in October. This increase followed a decrease from August to October of 1.8 million in the number employed. All of the major groups of nonagricultural establishments except government increased their number of employees slightly from October to November. The upturn in employment between October and November, particularly in manufacturing, indicates that many of the initial difficulties of reconversion had been overcome. Employment totals will increase when current labor management disputes are settled.

Employment of factory workers reached an all-time peak in November 1943 when the seasonally adjusted index (1935-39 = 100) was 186. During the remainder of the war, it declined gradually, until by July 1945 the index had dropped 17 percent from the peak. It recovered slightly in November, when the index was 125, one-fourth above prewar.

The seasonally adjusted index of factory payrolls declined 25 percent from July to October 1945--considerably more rapidly than employment. However, for October the index was 227, as compared with 124 for employment. Consequently, average payrolls per employed worker for October were 83 percent above 1935-39 although about 10 percent below July 1945.

The average hourly earnings of factory workers reached a peak of 104.6 cents per hour in January a year ago. There was a slow decline from January to August, a drop of nearly 4 percent in September and a further slight decline in October. Average hourly earnings of 98.5 cents in October were 6 percent below those in January 1945, although higher than at any time prior to September 1943. The decline in average hourly earnings was largely the result of loss of premium pay for overtime and declines in employment in industries with high wage rates, particularly shipbuilding and airplane manufacturing. These declines more than counterbalanced the effect of increases in wage rates in some industries.

In October 1945, the average length of time worked per week by factory employees was 41.6 hours. This level was about 8 percent below the peak reached during the war but still 10 percent above the 1939 average. In many manufacturing industries, the backlog of demand for manufactured articles probably will be sufficient to maintain a longer workweek throughout most of 1946 than existed in prewar years.

COMMODITY PRICES

The general trend of prices since September 1945 has been slightly upward. The index of wholesale prices of all commodities for November was 107 1/_— 1.5 percent above September and the highest since January 1921. Wholesale prices of all commodities other than farm and food products have continued highly stable, but the index has nevertheless increased a fraction of a point nearly every month since the middle of 1942. This increase has continued since the end of hostilities and the index of 100 for November 1945 was the highest since July 1926.

Since the end of hostilities, wholesale prices of farm products have continued considerably more variable than those of nonagricultural products. From July to September the index declined nearly 4 percent, but from September to November it increased about 5.5 percent. The November index of 131 was the highest in 25 years.

The index of prices received by farmers in December 1945 was 207 2/_—, an increase of 2 points from November and 1 point above the peak reached in June and July 1945. The increase in the index from November to December was primarily the result of sharp upturns in prices received for apples, oranges, pears and lemons. It seems likely that the index will remain close to its current level for the next several months. The index for crops may increase slightly, while that for livestock and livestock products probably will decline somewhat due primarily to seasonal declines in the prices of eggs and dairy products.

The parity index of prices paid by farmers (including interest and taxes) for December 1945 was 176, a new high since 1920 and 3 points above August. The rise in the index from August to December was the most rapid for any period of the same length since the middle of 1943. Most of the recent increase has been in prices paid for commodities used in family living. The ratio of prices received to prices paid increased 5 points from September to 118 for December as a result of the 10 point rise in prices received, compared with a 2 point increase in prices paid.

1/_— 1926 = 100.

2/_— August 1909 to July 1914 = 100

FARM INCOME

Total cash receipts from farm marketings during the first quarter of 1946 are expected to show about the usual seasonal pattern, but at a level about 10 percent higher than for the same months last year.

Total receipts in January probably will be 5 to 10 percent smaller than in December, showing about the same relative decline as in this period of the 2 preceding years. Most of the decrease will be in cash receipts from crops, marketings of which are declining seasonally.

A further seasonal decline in total cash receipts is expected in February, although the decline for crops probably will be less than in recent years, with receipts from tobacco, wheat, and cotton held to relatively high levels. Total receipts in March probably will be slightly larger than in February, the continued decline in income from crops being offset by an increase in receipts from livestock. The estimated gain in receipts for total livestock and products will reflect increased marketings of dairy and poultry products.

Total cash receipts from farm marketings in 1945, as determined from preliminary monthly estimates, were around 20,800 million dollars, compared with 19,790 million dollars in 1944. Cash receipts from crops were nearly 10 percent larger than the year before. Income from most crop groups showed substantial gains. The largest relative gains for 1945 were made in receipts from oil-bearing crops and tobacco, with increases of 43 and 25 percent, respectively. Receipts from cotton fell off about 15 percent because the 1945 crop was short and late-maturing. Total cash receipts from livestock and products were about the same as in 1944. A substantial gain in receipts from poultry and eggs was approximately offset by a decline in receipts from meat animals.

LIVESTOCK AND MEATS

Meat animal prices declined less than seasonally during the fall and early winter. Prices received by farmers for cattle averaged the highest on record for the season; prices of sheep and lambs continued higher than a year earlier. Hog prices declined only slightly from ceilings in early January as marketings of 1945 spring-crop hogs approached the peak for the season. Prices of hogs and better grades of fed cattle may decline in the spring as marketings of the fall pig crop reach their peak and marketings of fed cattle increase seasonally. Unit returns from sales of lambs will be larger in the first 6 months of 1946 than a year earlier, as smaller marketings are expected and higher subsidy payments than a year ago.

Meat output in 1946 is likely to be somewhat greater than in 1945, and perhaps more than 40 percent above the 1935-39 average production of 16.2 billion pounds (dressed meat basis). Hog slaughter will be larger than in 1945, reflecting delayed marketings and a 12-percent increase in the 1945 fall pig crop. Larger slaughter also will result from the probable slight increase in the 1946 spring pig crop, which is mainly for market in the fall and winter of 1946-47. Output of beef will continue large. A large number of cattle are now being grain fed for market. Lamb and mutton production, however, will be less than in 1945 as fewer lambs are on feed for market this winter than last. The prospective lamb crop is smaller than in 1945 because the number of ewes on farms and ranches is smaller.

An estimated 4,157,000 cattle were on feed for market at the beginning of 1946, 4 percent less than a year earlier and 2 percent less than the average for 1940-44. With a large number being fed to salvage soft and wet corn, the number of short-fed cattle to be marketed in the first half of this year will be large. Only a small proportion of the cattle on feed January 1 had been on feed more than 3 months, and the supply of choice cattle for market in the first quarter of 1946 promises to be relatively small, although marketings of the good and medium grades will be large.

The number of sheep and lambs on feed for market January 1, totaling 6,724,000 head, was 2 percent smaller than a year earlier but was about equal to the average for 1941-45. Most of the reduction this year from last occurred in the wheat pasture areas of Kansas, Oklahoma, and Texas, where wheat pasture condition is considerably less favorable than a year ago.

DAIRY PRODUCTS

A wide gap between supply and demand for dairy products continued in November and December. The high level of consumer purchasing power maintained a strong demand while supplies reached a seasonal low point. The butter production rate was the lowest for this period since 1920 and the supply was far short of demand. In addition, uneven distribution occurred after the termination of rationing on November 24. December butter receipts at the four principal markets (Chicago, New York, Boston, and Philadelphia) were about half those of prewar and about three-fourths of December 1944 receipts. Fluid milk and cream supplies were insufficient to fill all demands.

As supplies increase seasonally, the gap between supply and demand for dairy products is expected to decline. At present ceilings, prices received by farmers for whole milk may average slightly lower in the flush production season of 1946 than in 1945, while butterfat prices will be about unchanged.

The processors subsidies on Cheddar cheese will be discontinued effective February 1. Removal of the subsidy will be accompanied by increases in wholesale price ceilings on Cheddar cheese of 3-3/4 to 4 cents per pound and slightly more at retail. This will not immediately affect prices received by farmers for milk in cheese areas, as cheese supplies probably will continue short of demand until at least midyear.

Milk production in 1945 reached an all-time high of 123.3 billion pounds, 4 percent larger than in 1944. Milk production in 1946 is expected to be slightly below 1945.

POULTRY AND EGGS

Civilian demand for eggs in 1946 is expected to remain strong although it will be weaker than in 1945 when consumer incomes were at a record level and supplies of red meat were short. Per capita consumption will continue high although it may be somewhat below the record high of about 400 eggs per person consumed in 1945. Farm egg production in 1946 probably will be about the same as in 1945, and an excess of supply over demand at support prices may develop during the flush production season; but current indications are for a stronger demand situation this spring and summer than was expected last fall.

Under the 1946 price support program for eggs, purchases of dried whole, frozen and graded shell eggs are to be made so that prices received per dozen by farmers shall not average less than 27 cents in the midwest and 29 cents nationally during the flush production season. The new support program was announced by the U. S. Department of Agriculture on December 27.

Price received by farmers for chickens during the next few months are expected to hold at about present levels but below the all-time highs reached during 1945. Civilian supplies of chicken meat in the first half of the year probably will be larger than in any corresponding period, but demand will continue strong because of the high level of consumer purchasing power. However, during the second half of the year when marketings are seasonally large, prices received by farmers for chickens may decline moderately.

FATS, OILS, AND OILSEEDS

Demand for fats and oils at present prices will exceed supplies in 1946.

Total supplies of fats and oils available for domestic use (civilian and military) in 1946 probably will be slightly larger than the 9.7 billion pounds consumed in 1945, but will be smaller than in any of the 4 preceding years. Civilian supplies of fats and oils in 1946, for both food and nonfood purposes, may be about midway between the 65 pounds per capita consumed in 1945 and the prewar average use of 74 pounds per capita.

Output of fats and oils from domestic materials in 1946 will be moderately larger than the 9.3 billion pounds produced in 1945. The principal increases will be in lard, linseed oil, greases, and possibly butter. Offsetting these prospective increases in production was the small cottonseed crop and the fact that stocks at the beginning of 1946 were substantially smaller than a year earlier. Factory and warehouse stocks of fats and oils on November 1, the latest reported, totaled only 1,644 million pounds, 550 million pounds less than a year earlier.

Imports of Argentine flaxseed, Philippine copra, and Chinese tung oil in 1946 are expected to be larger than in 1945. However, imports of coconut oil and copra from Ceylon and South Sea Islands will be reduced. Total imports of coconut oil from all sources in 1946 probably will be less than half the prewar average of 700 million pounds. With some decline in exports, chiefly of edible fats, the United States probably will return in 1946 to a net import basis in fats and oils.

Prices of farmers' stock peanuts produced in 1946, it was recently announced, will be supported at an average of 90 percent of the parity price on July 15, 1946. At the mid-December 1945 level, 90 percent of parity would be 7.6 cents per pound (\$152 per ton), 8 percent less than the estimated 1945 season average price. Peanut prices next season will be supported through loans and purchases, with no restrictions on marketings. Unit returns on flaxseed, as announced earlier, will be supported at the equivalent of \$3.60 per bushel, Minneapolis basis. No support program for 1946-crop soybeans has yet been announced.

CORN AND OTHER FEED

Prices of feed grains and byproduct feeds probably will continue at or near present high levels, at least until influenced by prospects for the 1946 production. Hay prices, reflecting the large 1945 crop, are averaging moderately below those last season, when they were the highest since 1920-21.

The demand for feed concentrates continued exceptionally strong in January. Although supplies are fairly large in volume, they are small in relation to demand at ceiling prices. Marketings of feed grains and byproduct feeds continue to be insufficient to meet the unusual demand.

Demand for byproduct feeds, particularly high-protein feeds, continued exceptionally strong through January. Production of most byproduct feeds has been at a high level so far this season, but supplies have been insufficient to meet the unusual demand. In an effort to secure more equitable distribution of high-protein feeds, and to discourage various unusual trade practices, the Department of Agriculture on January 16 placed restrictions on the use of protein meal in the manufacture of mixed feed for livestock and poultry.

Competition for available supplies of feed grains (except oats) probably will be severe throughout the winter and spring. Supplies of oats are unusually large. However, even with considerable substitution of oats for other feed grains, carry-overs of corn and barley probably will be reduced to fairly low levels at the end of the current season.

A continued strong demand for feed grain for food and industrial purposes, and for export is in prospect for all of 1946. This is especially true for corn, market supplies of which are not likely to be large enough to satisfy commercial demand at present ceiling prices until harvesting of the 1946 crop.

The strong demand for feed grains is reflected in a 9 percent larger total disappearance of corn, oats, and barley during the October-December quarter than in the corresponding period a year earlier. Disappearance of all corn in the fourth quarter of 1945 was 8 percent larger than in October-December 1944, oats disappearance was 36 percent larger; but disappearance of barley was down 15 percent. The large disappearance of corn resulted particularly from the low feeding value of soft corn and the strong demand from livestock producers and grain processors.

Stocks of corn, oats, and barley on farms and at terminal markets on January 1 totaled 74.5 million tons, 2 percent less than on January 1, 1944. Stocks of corn on farms and at terminal markets on January 1 were the smallest for that date in 7 years, barley stocks were the smallest for January 1 since at least 1938, but stocks of oats at the first of the year were larger than on any other January 1 for which records are available. With the total number of livestock on farms indicated to be not greatly different from a year ago, stocks of feed grain per animal-unit are slightly smaller than in January 1945.

WHEAT

Cash wheat prices remain generally at ceiling levels. In both mid-November and mid-December prices received by growers averaged 99 percent of parity. Market supplies continue very limited, and neither exporters nor millers have been able to obtain wheat in nearly the volume wanted. While farmers may market their wheat more freely in the new year, market supplies will still be too small to satisfy demand.

Heavy exports in recent months and in prospect for the rest of the season promise to reduce sharply the carry-over on July 1, 1946, compared with that of a year earlier and other recent years. If grain moves freely from farms to mills and ports in the next half year, the carry-over might drop below 200 million bushels for the first time since 1938. Considerable difficulty, however, is being experienced currently in obtaining wheat, both for domestic milling and for export, because of the shortage of cars and reluctance of farmers to sell. Much of the remaining stocks are located on farms and at interior points, particularly in the area from Kansas to North Dakota, and in the Pacific Northwest. Of the total stocks on January 1, tentatively placed at about 750 million bushels, 369 million bushels were still on farms, compared with 392 million bushels in 1945 and the 1940-44 average of 351 million.

The indicated 1946 winter wheat production is 751 million bushels, based on the estimated acreage and on the relationship in past years of such factors as December 1 reported condition and weather through November to the yields per seeded acre.

If conditions continue favorable for winter wheat, and a crop about as indicated is produced, only about an average spring wheat crop would be required to result in another billion-bushel total harvest.

Fall wheat seeding in some of the countries of Europe is reported larger than a year ago, but scarcity of fertilizers and equipment continues to cause concern. Moisture in some areas has been inadequate and considerable spring planting is probable.

FRUIT

Prices for citrus fruit during the next few months are expected to follow the usual seasonal pattern of a decline in January and February and an increase in March and April. Prices for apples and pears, however, will continue generally at ceilings.

Largely in response to a strong Christmas season demand, prices for citrus fruits at terminal wholesale markets were at high levels throughout December, in general averaging above the levels of a year earlier. Prices for oranges advanced sharply in late December as market supplies shrank temporarily. Prices for grapefruit continued fairly steady, and those for tangerines and lemons declined. Prices for all citrus, especially oranges, declined in early January with the restoration of ceiling prices on January 4. Although the preferred grades and sizes of oranges and grapefruit are likely to remain near ceiling levels, the less popular fruit is expected to sell at a discount, with the result that prices may average moderately below ceilings for the next month or two. Because harvesting of grapefruit and early and midseason oranges is now in full swing, large supplies will be available not only for fresh market use but also for processing into canned juice and segments. Both the grapefruit and early and midseason orange crops are larger than last year.

With continued strong demand, the remaining stocks of the 1945 crops of apples and pears are expected to sell generally at ceiling levels. Cold storage holdings of apples on January 1, 1946, mostly in Washington and Oregon, were about half as large as a year earlier. Although the army is taking a smaller total quantity this season than last, this quantity constitutes a larger percentage of all apples available for fresh use. Cold storage holdings of pears on January 1 were about as large as a year earlier.

TRUCK CROPS

For Fresh Market

In accordance with the usual seasonal movement, prices received by farmers for most commercial truck crops produced for the fresh market are expected to average lower in February, and higher in March, than in January of this year. Prices in February 1946 probably will average near those of a year earlier, but prices in March are expected to average higher than those of March 1945, when the index of commercial truck crop prices dropped sharply and contra-seasonally from the preceding month.

Winter season aggregate commercial production of 18 truck crops is indicated to be 44 percent above the 10-year (1935-44) average and exceeded only by production in 1944 and 1945. Quantities shipped to market this winter out of current production should show the largest percentage increases over last winter for lima beans, snap beans, cauliflower, celery, cucumbers, escarole, lettuce and green peas. Movement of storage cabbage and carrots will be larger than last winter but dry onions will continue to be scarce. Because of refrigerator car shortages and because cold, wet weather in some sections interfered with harvesting operations, market supplies in recent weeks have been somewhat smaller than might have been expected from the available production.

Demand continues strong despite the passing of the year-end holidays. Shipping point and terminal market wholesale prices for a majority of the truck crops quoted averaged slightly higher in the first week of this year than in the corresponding week of 1945. For the year 1945, season average prices received by farmers for fresh market truck crops were higher in general than in 1944, but lower in general than the record-high season average prices received in 1943.

For Processing

Aggregate commercial production of 11 truck crops for processing in 1945 was 4 percent below 1944 but 31 percent larger than the 10-year (1934-43) average. The average price per ton received by farmers for the aggregate production of these 11 crops in 1945 reached a record-high mark, and prices are expected to continue at high levels.

POTATOES AND SWEETPOTATOES

The prices that growers will receive for 1945 crop potatoes during the balance of this marketing season are expected to average above the support levels maintained by the Department of Agriculture. During December and early January, wholesale potato prices strengthened substantially, both at country points and in terminal markets, primarily as a result of an unusual export demand and an inadequate supply of refrigerator cars at major shipping points. Prices for potatoes during the week ended January 5 were close to, and in some instances above, prices in the corresponding week a year earlier.

Carlot movement of potatoes since last September has been considerably smaller than would be expected in relation to the size of the very large 1945 crop, and shipments in December 1945 were actually less than in the same month a year earlier. Too large a proportion of the 1945 crop still remains at country points to permit much additional rise in price. Prices would break if too many old potatoes are shipped late in the season after new potatoes become available in considerable volume.

Prices to growers for remaining stocks of the smaller than average 1945 sweetpotato crop are expected to continue to reflect ceiling levels. Wholesale prices in New York City during the week ended January 5 were 87 cents per bushel higher than a year earlier for North Carolina and South Carolina Porto Rican sweetpotatoes; \$1.02 higher for Maryland Golden, and \$1.51 higher for New Jersey (Jersey type) sweetpotatoes.

COTTON

From December 16 to January 15, cotton prices averaged higher than for any comparable period since September 1925. The 10 market average of Middling 15/16 inch cotton was 24.51 cents per pound for the month ending January 15. During the month of December, prices of Middling 15/16 inch cotton moved upward to more than 24.6 cents per pound. Following the announcement that 650,000 bales of CCC cotton would be placed on the market early in January, cotton prices weakened slightly, the low since the turn of the year being 24.41 cents. An additional 850,000 bales of CCC cotton will be catalogued before the end of March as part of the General Stabilization Program, to promote the orderly marketing of raw cotton and cotton products at stable prices.

On January 15, the Office of Price Administration announced proposed growers' ceilings for the 1946 crop of American Upland cotton, in mixed lots of uncompressed bales, stored in public warehouses. A maximum price of 24.09 cents per pound, gross weight, for 15/16 inch Middling white and extra white was announced for area 1 which comprises, roughly, the mill regions of western North and South Carolina. The announcement establishes differentials for grades and staples within area 1. Outside area 1, differentials covering the cost of transportation are applied to each of the area 1 prices.

The proposed ceiling price is some 20 to 25 points above the parity equivalent for December 15, 1945 in area 1. This announcement is a notice of proposed ceiling prices only, but it gives growers notice 15 days before the start of the planting season as required by law and will allow ceilings to go into effect at a later date, assuming such ceilings are necessary. The official announcement indicates that actual ceilings may not be imposed if the price becomes stabilized before the 1946 harvesting season.

It is estimated that the rate of cotton consumption for December averaged lower than in November when the annual daily rate of consumption was slightly less than 9 million bales. In the early war period cotton consumption by domestic mills, on the same basis, increased from around 7 million bales in June 1940 to a peak of about 12 million bales in April 1942, before starting to decline in the last 6 months of 1943. By November 1945 the annual daily rate of cotton consumption was down to that of November 1940. The release of CCC cotton stocks will help provide ample raw cotton with which cotton mills can maintain a high level of operations. As it is anticipated that the labor situation in the industry will be helped out by the return of veterans and discharged war workers, and as the civilian demand for cotton goods is strong, the rate of consumption during the remainder of the season is expected to equal or exceed the December rate.

Exports of cotton in the 4 months ending November 1945 totaled 924,168 running bales, compared with 511,130 for this period of 1944. In the 1944-45 crop year 1,924,377 bales were exported. Exports for the 1945-1946 crop year probably will greatly exceed those for 1944-45.

WOOL

Prices to wool growers which averaged about 41 cents a pound in 1945 will remain near this level through most of 1946, since the Government will continue to purchase wool until November 1, 1946 at prices substantially the same as prices paid in 1945.

Sales of Government-owned domestic wool increased in the first month following the reduction in Commodity Credit Corporation selling prices on November 27. Sales during this period, totaling about 22 million pounds, probably were curtailed by the holidays, and by the fact that topmakers and mills had purchased foreign wool to fill most of their raw wool requirements for several months ahead before prices of domestic wool were reduced. Sales are likely to increase further in coming months if domestic wool continues available to mills at prices in line with duty paid prices of comparable foreign wool. CCC stocks of domestic wool at the beginning of 1945--about 419 million pounds--were about 100 million pounds larger than a year earlier. They exceeded a year's domestic production.

United States mill consumption of domestic and foreign apparel wool during the greater part of 1946 probably will be maintained at an annual rate of 800 to 900 million pounds, grease basis. This rate is smaller than the wartime annual rate of slightly more than one billion pounds, but much larger than the 1935-39 average rate of 590 million pounds. Consumption will be supported by large requirements for recently discharged servicemen, a relatively high general level of consumer incomes, and large demands for replenishment of commercial inventories. Now that CCC selling prices have been reduced, domestic wool is expected to form a larger percentage of the total consumption in 1946 than in 1944 and 1945 when less than 30 percent of the total was domestic wool.

As large stocks of domestic wool are on hand and a moderate decline in wool consumption is in prospect, imports of apparel wool are likely to decline in 1946. From 1941 through 1945, imports of apparel wool for domestic use ranged from 575 million to 780 million pounds a year (actual weight) compared with 1935-39 average imports of 86 million pounds. These large imports partly reflect mill preference for foreign wool which was available until recently at much lower prices than domestic wool of comparable quality and preparation.

TOBACCO

Auction sales of the 1945 crop of burley tobacco began December 3 with prices for a majority of the grades at their ceilings. During the first week of sales more than 85 million pounds (about 15 percent of the crop) were sold at an average of 47-1/2 cents per pound, compared with 44-1/2, cents during the opening week last season. Prices have declined substantially, however, since the first week, with practically all grades averaging from 2 to 9 cents per pound below their ceilings. Some individual baskets have sold as much as 15 cents per pound below ceilings. During the week ended January 11 the average price of all grades of burley was 37-1/2 cents per pound. Through that date about 1/2 of the 1945 crop had been sold at an average of 44.2 cents per pound, compared with an average of 44 cents for the 1944 crop. Prices would have to decline much further before reaching the support levels of 90 percent of parity. So far very little tobacco has been received by the Associations under loans. Although the average quality of the burley now being sold is somewhat below that in the first week, the decline in prices is attributable to relatively large supplies of burley. Very little burley is exported.

Demand for 1945 crop flue-cured remained strong throughout the season. With practically all the 1945 crop sold, it appears that the season average of about 43-1/2 cents per pound will top all peaks back to 1919, and exceed the 1944 average by about 1 cent per pound. Back of the strong demand for flue-cured this season is the low level of domestic and foreign stocks, the high level of cigarette consumption, and the favorable outlook for exports. Exports this season may reach 400 million pounds, which would be slightly larger than last season and the largest since 1930. In view of the relatively low level of stocks, the 1946 flue-cured marketing quotas and individual farm acreage allotments have been increased 10 percent over 1945.

Over-all domestic consumption of tobacco products is continuing at exceptionally high level. Tax-paid cigarettes reached an all-time peak of more than 31 billion in October compared with an average of about 23 billion during the first 11 months of 1945. The increase in tax-paid cigarettes since the end of the war is attributed mainly to the return of military personnel from abroad and to the replenishing of dealer inventories. Cigar consumption, as measured by sale of revenue stamps, has increased in recent months, but is still below the wartime peak. The latest figures indicate little change in consumption of chewing tobacco, smoking tobacco, and snuff.